Investing in people for social and economic justice

Tax Evasion: A Gender & Socioeconomic Sabotage

Taxation is the most sustainable and predictable source of domestic resource mobilization for the provision of public goods and services, as well as a key tool for addressing socio-economic inequality, including gender inequality. Women and men experience the impacts of tax policies differently, because of their diverse and unequal positions in the workforce, as consumers, producers, asset owners, and as those responsible for the activities of the “care economy”[1] in households and outside. Moreover, gender inequality intersects with other inequalities which result from socio-economic status, race, age, location, class and other social markers. The effects of tax abuse, of shifting profits using low and zero tax jurisdictions, of the current national tax architecture on gender inequality are severe and diverse. Notably, the current tax regime has the sum effect of:

- Undermining the possibility to close the financing gap for gender equality and women’s rights.
- Negative impact on vertical equity and the progressiveness of tax systems that disproportionately affect women.

The Zimbabwe Revenue Authority (ZIMRA) has revealed that the private sector owes the tax administrator an estimated **$3.36 billion** (80%) of the tax debt of **$4.2 billion** as of March 2018. ZIMRA Commissioner General, Ms. Faith Mazani, indicated that tax dodging by the private sector has become a serious impediment to national development. She indicated that out of the 300,000 registered tax payers, only 25% were committed and compliant to their tax obligations, resulting in the tax burden weighing heavy on few companies and individuals. The **US$4.2 billion** could go long way in resuscitating the ailing health service system, cushion the ridiculously low salaries of civil servants in the face of rising inflation, improve the national road network which has become a death trap for travellers on a daily basis, create more employment opportunities for millions of unemployed youths and even significantly reduce some legitimate debts from the country’s soaring domestic and external debt which currently stands at a staggering **US$18.3 billion**[2]. the ‘Zimbabwe is Open for Business’ mantra does not literally translate to improved revenue contributions by the corporate world without a meaningful transformation of the tax regime/system; at the same time being open for business should never translate to ‘being open for illicit resource extraction’.

States acting individually and collectively have the duty to mobilize the maximum available resources for the progressive realization of women’s and girl’s human rights. Furthermore, they have the obligation to create an international enabling environment for the fulfillment of economic, social and cultural rights, including in matters relating to taxation.[3] However, tax policy in Zimbabwe currently fails to generate enough revenue to fund government expenditures and to close the gaps in gender equality and women’s rights financing.

Regional, continental and international trade and investment agreements restrict government’s capacity to reconsider tax breaks and implement progressive tax reforms. As a result of this, the policy space and political will of governments to collect revenue and implement progressive taxation is limited. Governments, including Zimbabwe, give favorable tax treatment to multinational companies in many

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[1] Grown, C., & Valodia, I. (Eds.) (2010): Taxation and Gender Equity.A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries (Routledge, IDRC). Retrieved from http://www.idrc.ca/EN/Resources/Publications/Pages/IDRCBookDetails.aspx?PublicationID=87.

[2] Zimfact: zimfact.org/zimbabwes-national-debt-where-does-it-stand/ (April 2018)

[3] Troya Jaramillo (2014) and Maastricht Principles on Extraterritorial Obligations of States in the area of Economic, Social and Cultural Rights (2011).

countries in the name of attracting foreign direct investment (FDI). The result is that considerable revenue is forgone and that the equity principle by which persons with equal capacity to pay should pay the same amount in taxes (horizontal equity), and that those with greater capacity should pay a proportionally larger amount (vertical equity) is violated.

What are the implications of this scenario for women's human rights and gender justice?

1) When a state does not mobilize sufficient resources and has budget deficits it can only provide insufficient and low quality services (i.e. education, health, sanitation, public transport, social infrastructure, care services), whereby gender inequalities are perpetuated or even exacerbated. This is due to the fact that, given the unequal gender power relations in society, women are overrepresented among the poor and among those that hold low-paid and poor-quality jobs.
2) Women are also more dependent on state assisted service delivery and tend to carry the brunt of more unpaid care work when the state cuts on social services.
3) When the state´s ability to collect revenues and control IFFs is compromised, revenue loss tends to be compensated *through higher taxes on compliant taxpayers, such as small and medium-sized companies and individuals* or by relying more heavily on indirect taxation. Therefore, if the state does not decisively deal with tax abuse, it is likely that wealthy individuals and big corporations will disproportionately benefit to the detriment of the most disadvantaged, majority of whom are women and girls.
4) Loss of tax revenue diminishes the state's ability to fund adequate public policies aimed at reducing gender gaps and fulfilling women´s human rights.

ZIMCODD recommends and advocates for the following:

- **Political will -** Enlarge political space to implement progressive taxation on income and wealth, while avoiding explicit and implicit gender bias in taxation.
- **Policy Review** – of harmful tax incentives, exemptions and subsidies, especially those provided to multinational corporations.
- **Legal Reform**- Enlarge legal/policy space to curtail illicit financial flows (IFFs) by implementing financial regulations, macro prudential measures such as capital control techniques, and eliminate investor-state dispute settlement clauses to ensure that the right of states to regulate and tackle illicit financial flows is protected.
- **Standardization -** Adopt national mandatory reporting of sales, profits, assets and taxation standards for all corporations.
- **Fortification** – Strengthen/broaden the mandate and resources of tax authorities and prevent rotating doors between private and public sectors which lead to corruption.
- **Capacity development** – gravitate towards independent, well-equipped, trained and properly paid officers responsible for combating corruption and tax evasion, handling requests for mutual legal assistance and a properly functioning independent judicial system.
- **Transparency and Accountability** – Ensure public disclosure and access to financial, fiscal, beneficial ownership and human resources assessment data in the spirit of promoting transparency and accountability.

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